



An introduction to  
**CAPACITY**

shirlaws  
Love Enterprise

## Introduction

### Purpose of this document

This document provides an introduction to the concept of the Shirlaws Capacity Framework.

## What is the Capacity framework about?

### Context – language

Every business has the capacity to achieve an optimum level of revenue given the current levels of staff, resources and product within the business. Capacity management is the design of a business strategy – a bottom up to top down approach.

### Insight

Experience tells us that no business achieves 100% of its capacity due to uncontrollables such as sickness, clients not showing up for their scheduled appointments, or production materials arriving later than expected thereby holding up production. The best-managed businesses achieve approximately 80% of their true capacity. The gap between where a business is operating, and its capacity is what we call Platform/efficiency issues.

While traditionally a business plan has been used to manage the business, it has a tendency not to have a contextual focus. This means the business plan may focus primarily on the numbers, and overlook such facts as:

- Where the business is on Stages?
- What is its capacity to produce the projected numbers?
- What is its capability to deliver the desired outcomes?

### What is the Capacity framework?

The Capacity framework is an aid to the development of a business' strategy. This framework identifies the need to focus on either Platform/efficiency issues, or Growth issues.

Capacity also helps the business to identify an area of no-man's land. No-man's land is the point at which supporting resources are outpacing the revenue being generated by the business. To move through no-man's land, investments need to be made to grow from one size to the next. These investments could be items such as:

- A new server to support the growing business
- The recruitment of key positions such as General Manager, Human Resources Manager, Accountant, etc.

### When to use the Capacity framework

The Capacity framework is frequently used in conjunction with Stages when the strategy needs to be clarified.

## About Platform and Growth strategies

Platform issues include those functions and tasks that do not increase the capacity or resources of the business, but improve its utilization and effectiveness, and **increase the revenue** of the business:

- Business support functions
- Business operation functions such as sales, marketing and training.

To **increase the capacity of a business**, we focus on Growth issues. Growth issues include those functions and tasks which increase the capacity of the business:

- Business management functions and tasks such as distribution, positioning, and client management systems.
- Business operation functions and tasks such as new products and services and pricing.

Once the Platform and Growth issues have been identified an Implementation strategy is developed according to the business functional structure.

## Commercial and Cultural Outcomes

Whenever a Shirlaws framework is implemented within a client's business, it is necessary to identify, quantify and qualify the **commercial** and **cultural** outcomes of that implementation process.

In this context, commercial outcomes are those that can be quantified by numbers, the facts, figures – the hard side of business.

Cultural outcomes are based on the softer side of the business, i.e. feelings, emotions, behaviours.

Some examples of commercial and cultural outcomes from implementing Capacity in a business may include:

- A plan meaning what is done and when it is to be done – Platform and Growth strategies
- The shape of the business, i.e. boutique or scale
- Commercial, paced, in control
- Freedom of choice
- Sense of belonging
- High performing teams
- Reducing risks – peace of mind

Example questions that the client could be asked are:

- Do you know the maximum revenue achievable from your current resource mix?
- Do you want growth or the right amount of growth for your business?
- Do you know how much that growth is?

- How much more could you do if everything was running perfectly?
- Where are the pinch points?
- How do you manage and predict growth for your business?
- How would it feel if your strategy could be communicated in such a way that everyone within the business understood it?

## L1 Concept

### What is Concept?

The **Concept** layer refers to the vision and ideas generated. It is the process of introducing an overview – the **why**.

### What does the Capacity Concept look like to the client?

- The client comes to understand the need to measure the whole of the business.

### What does the Standards and Extras Concept feel like to the client?

- Overwhelming!

### What blocks the client from moving to the next layer?

- The client has fears around this just being way too big to understand and deal with. The next question which may follow is “how will this happen within my business” – it’s a case of the unknown.

### What expectations need to be set with the client?

- Capacity planning is sensitivity modelling. It’s simply a matter of coaching the client to understand Capacity, then finding the application of Capacity to their business.

## Capacity Concept

Capacity Planning is defined as **a tool to design a strategy**. Traditionally in the SME market, clients expect to get a business plan (that they rarely refer to).

Shirlaws introduced Capacity planning as a Concept which is **different** to a business plan that traditionally focuses on the numbers alone. A Capacity plan is a business tool designed to coach in what to do next with the business, and to give management and staff a common language to address utilization and efficiency issues within their business.

The Capacity planning tool is different to the traditional business planning tools, e.g. SWOT analysis etc., since it is a tool specifically designed for managing the business strategy using spreadsheets and calculations.

The Capacity framework is simply a way of showing the required combination of growth and platform issues that need to be addressed within the business to achieve the required outcomes.

The Capacity framework can be defined in one of two ways:

- Numerically using current revenue and other accounting criteria
- Identifying the feelings/energy in the business using the Stages framework as a guide.

Traditional approaches to business planning are limited, and often fail to address the daily requirements in managing the business effectively. We therefore advocate setting:

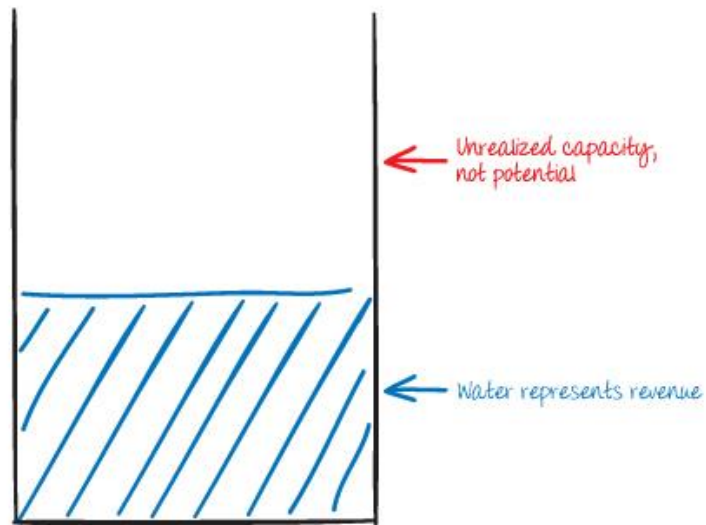
- No time related goals
- No mission statements
- No business plans



## What does the Capacity Framework look like?

The following is a depiction of the core diagram for the Capacity Framework.

### Capacity Concept



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